



## Agenda Item 4b

June 14, 2011

### TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Approval of 2012 Health Maintenance Organization Plans Rates
- II. **PROGRAM:** Health Policy and Planning
- III. **RECOMMENDATION:** Staff recommends the Health Benefits Committee approve the proposed 2012 Health Maintenance Organization (HMO) rates for Kaiser Permanente and Blue Shield of California, with benefit design changes.
- IV. **ANALYSIS:**

#### Background

Blue Shield of California and Kaiser Permanente submitted initial 2012 HMO rates in April 2011. CalPERS staff conducted an analysis of each rate proposal and met numerous times with each health plan to review its rate development methodology and underwriting documentation. Staff also used the Health Care Decision Support System (HCDSS) to validate and question each plan's utilization experience and projected trends.

CalPERS also employed Mercer Human Resource Consulting to provide independent health actuarial consultation and to conduct an independent assessment of each health plans rate proposal, provide input on market trends, and assist staff in rate negotiations.

#### Blue Shield Network & Service Area Changes

Consistent with its policy to include only high quality, cost effective providers, Blue Shield NetValue is expanding its service area to include Contra Costa County, and withdrawing from Santa Barbara County. NetValue members in Santa Barbara have the option of remaining with Blue Shield's Access+ plan, or moving to a Preferred Provider Organization (PPO) plan.

NetValue's expansion of the integrated healthcare model (based on the successful Hill Physicians – CHW pilot project) will result in St. Joseph Health Systems joining its network to become the exclusive provider for NetValue members in Orange County. This design change is intended to improve health outcomes while lowering costs. Members that do not wish to receive services

from St. Joseph have the option of moving to Blue Shield's Access+ plan, Kaiser, or a PPO plan.

Blue Shield's Medicare Advantage plan (GMAPD) is expanding coverage to Imperial, San Joaquin, San Francisco, and Nevada Counties.

Proposed 2012 HMO Rates

State and Contracting Agency rates are included in Attachments 1a and 1b, respectively. These rates include benefit changes discussed in Agenda Item 4a.

**V. STRATEGIC PLAN:**

This item supports the CalPERS Strategic Plan Goal X, which states: "Develop and administer quality, sustainable benefit programs that are responsive to, and valued by, enrollees and employers."

**VI. RESULTS/COSTS:**

The CalPERS costs associated with this item are included in the annual budget of Health Policy and Planning.

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Attachments